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August 6, 2008

Thomas Sutton, Director
Special Districts Department
157 W. Fifth Street, 2nd Floor
San Bernardino, CA 92415-0450

**Subject: MANAGEMENT LETTER –CRESTLINE SANITATION DISTRICT FOR
THE FISCAL YEAR ENDED JUNE 30, 2007**

In compliance with Section 26909 of the California Government Code, we have completed an audit of the Crestline Sanitation District (District), for the fiscal year ended June 30, 2007 and have issued our report thereon dated June 24, 2008. In planning and performing our audit of the financial statements of the business-type activities for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be a significant deficiency.

Necessary year-end accruals are not being performed.

The accrual basis of accounting should be used by this District, in accordance with Generally Accepted Accounting Principles. Under this basis, revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. The District is not preparing a necessary year-end accrual that is needed to follow the accrual basis of accounting. Retentions payable are not being accrued for at year-end on construction projects that are withholding retentions. The District did not realize that this item should be included as a part of their year-end accrual package. Not preparing necessary year-end accruals can potentially have a material effect on the financial statements.

Recommendations:

Become more familiar with the year-end closing manual provided by the General Accounting Section of the Auditor/Controller-Recorder to ensure all possible year-end accruals are being made and included in the District's year-end accrual package. Follow the instructions in the manual and ask for guidance from General Accounting if needed.

Management's Response:

Subsequent to the finding summarized above, Special Districts has begun accruing retentions payable throughout the Department as recommended in accordance with County year-end closing instructions. Special Districts' FY 07-08 closing package included Retentions Payable.

ML/Tom Sutton, Director
Office of Special Districts
August 6, 2008
Page 3

This communication is intended solely for the information and use of management, the Audit Committee, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By: _____
Howard M. Ochi
Chief Deputy Auditor

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LDW:HMO:RRB:mah